

Message Text

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PAGE 01 STATE 025721

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INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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DRAFTED BY NEA/PAB:ASCHIFFERDECKER:MGJONES:MRC

APPROVED BY NEA/PAB:PDCONSTABLE

EB/IFD/OIA:TRBRODERICK

L/EB:SRBOND (INFO)

INR/DFR/REC:RKATES (INFO)

TREASURY:RGOODMAN (INFO)

TREASURY:WMCFADDEN (INFO)

STR:SLANDE (INFO)

COMMERCE:DARRILL (INFO)

NEA/RA:HDMONTGOMERY

L/NEA: JROHWES (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY KABUL

AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: EINV, ETRD, PK, AF

SUBJ: COUNTRY ELIGIBILITY FOR GENERALIZED PREFERENCES

TRADE ACT OF 1974

REF: STATE 282968; (B) STATE 282967 (DEC. 1974)

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PAGE 02 STATE 025721

1. AS REPORTED REF B, BEFORE GSP CAN BE IMPLEMENTED UNDER TRADE ACT OF 1974, THE INTERNATIONAL TRADE COMMISSION (ITC) MUST INVESTIGATE THE DOMESTIC ECONOMIC EFFECT OF PREFERENTIAL DUTY-FREE TARIFF TREATMENT ON IMPORTS OF THOSE ARTICLES PROPOSED FOR SUCH TREATMENT FROM COUNTRIES DESIGNATED IN AN EXECUTIVE ORDER AS BENEFICIARY DEVELOPING COUNTRIES. THIS MESSAGE DISCUSSES COUNTRY ELIGIBILITY UNDER THE NATIONALIZATION AND ARBITRATION PROVISIONS OF THE ACT.

2. SEC. 502 (B) (4) OF TITLE V OF THE ACT PROHIBITS THE PRESIDENT FROM DESIGNATING AS ELIGIBLE FOR GSP ANY COUNTRY WHICH HAS NATIONALIZED THE PROPERTY OF U.S. CITIZENS (INCLUDING CORPORATIONS, PARTNERSHIPS OR ASSOCIATIONS 50 PER CENT OR MORE BENEFICIALLY OWNED BY U.S. CITIZENS). OR TAKEN OTHER ACTIONS WITH SIMILAR EFFECT, UNLESS HE DETERMINES THAT FAIR COMPENSATION IS BEING PAID, THAT

SUCH COUNTRY IS "OTHERWISE TAKING STEPS TO DISCHARGE ITS OBLIGATIONS UNDER INTERNATIONAL LAW", OR THAT THE PARTIES HAVE SUBMITTED THE DISPUTE TO ARBITRATION. SEC 502(B)(6) APPLIES A SIMILAR PROHIBITION TO ANY COUNTRY WHICH FAILS TO ACT IN GOOD FAITH TO RECOGNIZE AS BINDING OR TO ENFORCE AN ARBITRAL AWARD IN FAVOR OF U.S. CITIZENS (AGAIN INCLUDING CORPORATIONS, PARTNERSHIPS OR ASSOCIATIONS 50 PER CENT OR MORE BENEFICIALLY OWNED BY U.S. CITIZENS). FYI. UNLIKE THE HICKENLOOPER AMENDMENT (SEC 620(E) OF THE FOREIGN ASSISTANCE ACT), SEC 502(B)(4)(D) REQUIRES A PRESIDENTIAL DETERMINATION TO BE MADE AND FURNISHED TO CONGRESS REGARDING THE APPLICATION OF THAT SUBSECTION TO ALL UNRESOLVED DISPUTES. THIS NEW REQUIREMENT REINFORCES THE NEED FOR THE USG TO MONITOR AND TO ASSIST IN RESOLVING OUTSTANDING DISPUTES INVOLVING U.S. PROPERTY. END FYI.

3. IT WOULD BE HIGHLY DESIRABLE FOR THE ITC TO UNDERTAKE ITS PRODUCT REVIEW WITH RESPECT TO THE BROADEST POSSIBLE LIST OF POTENTIAL BENEFICIARIES, AND FOR THE COMMISSION TO BEGIN ITS WORK AS SOON AS POSSIBLE. WE WOULD PREFER TO CONDUCT A DETAILED INVESTIGATION OF CASES WHICH MIGHT AFFECT HOST COUNTRY ELIGIBILITY UNDER SECS. 502(B)(4) LIMITED OFFICIAL USE

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PAGE 03 STATE 025721

AND (6) WHILE THE ITC STUDY IS IN PROGRESS. FOLLOWING DISCUSSIONS WITH CONGRESSIONAL STAFFS, HOWEVER, IT IS NOT CLEAR THAT THE INTERIM WAIVER MENTIONED PARA 4 REF B WILL BE USED. SEVERAL ALTERNATIVE METHODS OF ACCOMPLISHING OUR OBJECTIVE ARE ALSO UNDER CONSIDERATION, BUT IT IS POSSIBLE THAT DETERMINATIONS OF COUNTRY ELIGIBILITY MAY HAVE TO BE MADE BEFORE THE ITC CAN BEGIN ITS PRODUCT ANALYSIS.

4. ACCORDINGLY, POSTS ARE REQUESTED TO INFORM THE DEPARTMENT ASAP OF THE STATUS OF OUTSTANDING CASES WHICH MIGHT AFFECT HOST COUNTRY ELIGIBILITY UNDER SECS. 502(B)(4) AND (6). THE STARTING POINT FOR EVALUATION SHOULD BE THE TEXT OF THE LEGISLATION ITSELF. UNTIL DEFINITIVE LEGAL ANALYSIS OF 502(B)(4) IS COMPLETED, POSTS SHOULD ASSUME IT APPLIES TO ALL PROPERTY (BOTH COMMERCIAL AND NON-COMMERCIAL) OF U.S. CITIZENS, WITHOUT REGARD TO VALUE. SINCE SOME ACTIONS (SUCH AS COERCED PARTICIPATION, SEVERE CURTAILMENT OF MANAGEMENT PREROGATIVES, OR FORCED CANCELLATION OR RENEGOTIATION OF CONTRACTS) MAY BE EXPROPRIATORY IN EFFECT WHILE STOPPING SHORT OF OUTRIGHT TAKEOVER, POSTS ARE REQUESTED TO INFORM DEPARTMENT OF SUCH CASES TO ENABLE US EXERCISE JUDGMENT IN DETERMINING WHETHER "NATIONALIZATION" HAS OCCURRED WITHIN THE MEANING OF 502(B)(4)(A)-(C). JUDGMENTS MUST ALSO BE MADE TO DETERMINE, INTER ALIA,

WHETHER THE CRITERIA OF 502 (B) (4) (D) ARE BEING MET, AND WHETHER "GOOD FAITH" IS PRESENT UNDER 502 (B) (6).

5. FOR KABUL: COMMENTS ARE REQUESTED ON EMBASSY'S BEST JUDGMENT AS TO WHETHER CONFISCATION OF CHRISTIAN COMMUNITY CHURCH PROPERTY MIGHT FALL UNDER PROVISIONS OF ACT (I.E. LEGAL STATUS OF ORGANIZATION, WHETHER CORPORATION, ASSOCIATION, OR OTHER, AND WHETHER MORE THAN 50 PER CENT OWNED BY U.S. CITIZENS). EVEN IF CCC DOES NOT FALL UNDER DEFINITION OF SEC. 502 (B) (4), EMBASSY MAY WISH TO USE ELIGIBILITY CRITERIA OF TRADE ACT AS OCCASION TO INQUIRE OF GOA ABOUT STATUS OF NEGOTIATIONS TOWARD RESOLVING ISSUE.

6. FOR ISLAMABAD: LIKEWISE, APPRECIATE YOUR JUDGMENT AS TO PROBLEM INVOLVING PRESBYTERIAN CHURCH'S INTEREST IN LIMITED OFFICIAL USE

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PAGE 04 STATE 025721

NEW GORDON COLLEGE PROPERTY. ACCORDING YOUR NOVEMBER 22 MEMCON, NEGOTIATIONS ARE LIKELY TO RESOLVE THE DISPUTE. YOU MAY WISH USE TRADE ACT AS OCCASION TO SEEK CURRENT EDUCATION MINISTRY OR OTHER GOP POSITION ON MATTER. KISSINGER

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